

MINUTES

California Health Facilities Financing Authority
("CHFFA")
October 12, 2011

915 Capitol Mall, Room 587
Sacramento, California 95814

Alternate Locations for CHFFA Teleconference Participation

Asset Strategies
2500 Broadway, Suite 300
Santa Monica, CA 90404

QIU Accountancy Corporation
3580 Wilshire Blvd., Suite 1126
Los Angeles, CA 90010

Sablan Medical Clinic
927 "O" Street
Firebaugh, CA 93622

Patricia Wynne, Chairperson called the meeting to order at 2:34 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Dave O'Toole for John Chiang, Controller's Office
Pedro Reyes for Ana J. Matosantos, Department of Finance
Judith Frank - Teleconference
Samuel Qiu – Teleconference
Jack Buckhorn
Ann Madden Rice

Members Absent: Ronald Joseph
Dr. Oscar Sablan

Chairperson Wynne declared a quorum present. Dr. Sablan's clinic had been noticed as a meeting room; therefore, a phone line was kept open for the duration of the board meeting.

Executive Director's Report (Information Item)

Ms. Liebert submitted the updated fund balances for the record as of August 31, 2011.

Delegation of Powers Monthly Update:
No actions were taken pursuant to the delegation resolution.

Barbara Webster-Hawkins reported briefly on three (3) site visits in the last six (6) weeks, including to Children's Hospital Orange County, Rady Children's Hospital - San Diego, and U.C. Davis Children's Hospital in Sacramento.

Children's Hospital of Orange County has had six grants, including three open grants for the new tower under construction and three other projects that have been completed. The framing was up for all seven floors of the new tower, and the work was in progress.

Rady Children's Hospital - San Diego has completed construction of its patient care pavilion and it is fully operational. Rady has also completed grants for patient care equipment and purchase of a medical office building adjacent to the hospital. Staff also saw a number of areas of the campus with capital needs that may be the subject of future applications.

For the visit to UC Davis Medical Center, staff was joined by board member, Mr. Pedro Reyes. The new Surgery and Emergency Services Pavilion includes a grant-funded pediatric waiting room and a pediatric patient treatment section within the emergency department. Projects for which UC Davis may apply were also toured including the almost completed pediatric intensive care unit and the cancer center expansion project where the most of the first floor is going to be dedicated to pediatric oncology including an infusion center. Mr. Reyes stated that it was a wonderful visit, very helpful and informative.

Ms. Madden Rice stated that she was delighted to have people visit the facility. The pediatric intensive care unit opens in mid-November. Last year, the medical center had to turn away about 100 seriously ill children due to lack of capacity and the new unit will be transformational.

Ms. Brewer reported on her trip to the NAHEFFA Conference along with some CEFA and CHFFA staff including Mr. Qui, one of CHFFA's board members. The conference was three and half days with approximately 150 participants from all over the United States. There were various bond counsels, underwriters and other state issuers in attendance. Also, Roger Roux from Rady Children's Hospital - San Diego, attended and spoke on a panel for the conference. Staff received positive feedback from the conference. Some of the topics included 1) What was happening with SEC and IRS, 2) The credit risks for Hospitals and Universities, and 3) Private placements (a future trend). Ms. Brewer added that California has been participating in private placement transactions for a while now. It appears more States are participating in more private placement transactions.

Mr. Qiu commented that he thoroughly enjoyed the NAHEFFA conference.

Item #3 **Catholic Healthcare West, Resolution No. 370**

Yassar Dahbour, Staff Analyst, introduced Jean Ham, Director of Debt Management of Catholic Healthcare West, Robyn Helmlinger, Partner of Sidley Austin, LLP and Peter Reilly, Executive Director of J.P. Morgan Securities LLC.

CHW requested \$600,000,000 in bonds for a term not to exceed 40 years. Bond proceeds will be used to construct, remodel, upgrade, expand and renovate several buildings in six California locations. In addition, CHW will use bond proceeds to refund several prior bond series and to refinance a draw on CHW's line of credit (the proceeds of which were used to pay and defease a series of bonds issued by CHFFA for the benefit of CHW in 2004).

Staff recommended the Authority approve Resolution Number 370 for Catholic Healthcare West in an amount not to exceed \$600,000,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. Macias, Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, Inc., the Authority's financial advisor, concurred with the Authority's staff recommendations.

Ms. Liebert stated that there was one correction to the staff report. The address for French Hospital and Medical Center was incorrect, the correct address should be 1911 Johnson Avenue, San Luis Obispo, CA 93401.

Ms. Frank asked what period of time and interest rate CHW assumed for the approximate savings of \$15 million.

Mr. Reilly replied that the estimates were based on interest rates from a couple of weeks ago. He continued to explain that the market is volatile and the numbers would continue to move up and down right up until pricing. Mr. Reilly further commented that he thought the refunding was for existing fixed rate bonds that were currently callable and the intent was to issue new fixed rate bonds within the same footprint or to match maturity. The final maturity of the last of those bonds will be around 2020 or 2022.

Ms. Frank asked if the present value calculation was based on 10 years.

Mr. Reilly replied that it was based on the actual maturity of the bonds compared to the actual maturity of the new bonds that would be issued to refund. He estimated the final maturity would be in approximately 10 to 15 years.

Chairperson Wynne asked if there were any further questions from the board members or the public.

Mr. Reyes moved approval of Resolution Number 370 and Mr. O'Toole seconded the motion. The Resolution was adopted with a 7-Aye roll call vote.

Agenda item #4

Ms. Frank announced to the board members that she owned stock in Wells Fargo. Therefore, she recused herself from agenda item #4 due to this conflict of interest.

Item #4 **Rady Children's Hospital – San Diego, Resolution No. 371**

Carolyn Aboubechara and Marissa Sequeira, Staff Analysts, introduced Roger Roux, Senior Vice President and CFO of Rady Children's Hospital – San Diego, Keith Grundy, Financial Advisor, H2C Advisors LLC and Jenna Magan, Bond Counsel, Orrick, Herrington & Sutcliffe LLP.

Rady Children's Hospital - San Diego requested an amount not to exceed \$150,000,000 in bonds. Bond proceeds will be used to refinance a portion of a Bank of America bridge loan recently used to purchase two medical office buildings adjacent to the Hospital's main campus, to renovate and equip those buildings, to fund other capital projects, including reimbursement for prior eligible capital expenditures.

Staff recommended the Authority approve Resolution Number 371 in an amount not to exceed \$150,000,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. Macias, Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, Inc., the Authority's financial advisor, concurred with the Authority's staff recommendation.

Ms. Liebert noted that one of the board members brought to her attention that on page seven (last paragraph) of the Rady's staff report, there were several typos. The correct numbers should be \$31.2 million, \$37.424 million and \$40.923 million respectively.

Mr. Reyes moved approval of Resolution Number 371 and Mr. Buckhorn seconded the motion. The Resolution was adopted with a 6-Aye roll call vote. Ms. Frank recused.

Item #5 **Resolution of the California Health Facilities Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Loan Financings, Resolution No. 2011-09**

Ms. Liebert introduced Mark Paxson, STO General Counsel, Deborah Yang, Senior Staff Counsel and Carolyn Aboubechara, Staff Analyst. Ms. Liebert stated that a few meetings ago, Mr. Joseph suggested that it might be worthwhile for CHFFA to entertain a delegation resolution for its HELP II Program similar to the resolution that was currently in place for the bond program. During the course of briefings, various board members raised good questions that staff thought might be best suited to discuss at this meeting.

A significant discussion ensued. The board members' main concerns were in regards to setting parameters for subordinations and making sure there was enough collateral available to secure the loan.

The board members were comfortable giving the Executive Director the delegation authority to authorize certain transactions. However, the board members recommended additional conditions for subordination requests, including limitations on dollar amounts, loan-to-value ratio limitations, and other due diligence requirements. In general, board members expressed the desire to be involved in the decision making process for the more complicated transactions.

Ms. Liebert replied that staff would take the board's recommendations under submission and would return to the board with more specifics on how the procedures could potentially be strengthened.

Item #6

HELP II Semi-Annual Report

Ms. Brewer presented the HELP II Semi-Annual Report and provided the highlights for the year. Beginning in January 2011 through August 2011, 1) approximately eight loans totaling \$ 3.6 million dollars have closed and three loans totaling approximately \$2 million dollars were still pending; 2) three loans were paid in full for approximately \$739,000; and 3) two loans were delinquent, but were current on their arranged payments.

Chairperson Wynne expressed her appreciation for the report and commented on how good it was to see how broadly distributed the loans have been granted. Chairperson Wynne also applauded staff and the board for the program's low rate of default.

A short question and answer period ensued.

At 3:20 p.m., the closed session began.

Item #7

Litigation (Government Code Section 11126(e)(1))

Appropriate staff and the board consulted with legal counsel regarding pending litigation (California Health Facilities Financing Authority vs. Health for All, Inc.; et al, Case No.: 34-2010-00092737, County of Sacramento) as authorized by Government Code Section 11126(e) (2A).

At 3:38 p.m., Chairperson Wynne announced the closed session was concluded and returned to open session. She reported no action was taken during closed session.

Chairperson Wynne asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 3:39 P.M.